Examining Market Orientation and its Impact on New-Product Success in Pakistan

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Abstract

The implementation of the concept “Market Orientation” creates comparative advantage for the organizations to achieve the success of its products in the market (goods or services). This study effectively contributes to the growing literature on the influence of market orientation practices on organization’s new product success. The aim of study is to find out the impact of responsive market orientation, proactive market orientation, innovation orientation, market turbulence, technological turbulence, product quality, product price, supportive culture and after sale services on new product success in Pakistan. It identifies that the market orientation practices are significantly associated with new product success that include after sale services, market turbulence, and supportive culture.

Keywords

1. Introduction

Market orientation refers to a culture in which organizations first study their customer needs and then launch a new product in order to create long-term relationships with their customers and to maximize the profitability (Narver and Slater, 1990). A market-oriented culture improves organizational innovativeness, new product success, and organizational performance (Baker and Sinkula, 1999). There are four major factors that have an impact on market orientation: top management, the organizational systems, interdepartmental dynamics and a reward system orientation (Pulendran et al, 2000).

In the global business environment majority of organizations first determines what its potential customer’s desire, and then builds the product or service accordingly to maximize profit and to create strategic networks. Marketing opinion and practice is justified in the trust that customers use a product/service because they have a need, or because a product/service has a perceived benefit. In the theory of market orientation two concepts are mainly discussed one is responsive market orientation, which addresses the expressed needs of customers, and second is proactive market orientation, which addresses the hidden needs of customers that is, opportunities for customer value of which the customer is oblivious.

The purpose of this study is to find out the impact of market orientation (considering multiple factors) on new product success in Pakistan. From last five years, business environment is growing dramatically and rapid changes are being occurred in almost every sector of economy including Banking and Telecommunication sector.

2. Literature Review

Market research enables the companies to take the good decisions. It presents customer voice in the organization. A successful product comes out in the market with the combination of customer’s need and technical capabilities. when it is taken into consideration that market research helps in the decision making process then some steps should be followed such as research, business strategy, ideas, screening of ideas, testing
phases and then finally launching of the product, all steps must be technically sound (Robert E. Davis, 1993). To improve the overall performance of the business it is necessary for the organizations to improve constantly its proficiency in learning more about its target customers’ needs and desires. The empirical relationship between new product success and market orientation conducted with the help of several variables (innovation orientation, proactive and responsive market orientation, market and technological turbulence) found that proactive market orientation’s impact on new-product success is larger than that of responsive market orientation (Narver et al., 2004).

Performance of a company and relationship between performance and market orientation can be measured by return on assets (ROA). Chiquan (2002) found a correlation among customer expectations, perceived service, service quality, market shares, and sales growth. There may be many potential barriers e.g. strategy, structures and systems to developing market orientation. However, the development of the market orientation is directly related to leadership style. If the management’s behavior, quick decisions, participative and supportive leadership style are combined in a business environment, then the analysis should reveal that performance of employees will be high, profit ratios going up, risk will be minimize etc., and all these variables are positively linked with market orientation and directly depend on the leadership style (Lloyd and Ogbonna, 1998).

Small companies are more responsive and pro-active towards market orientation; it would therefore appear that proactive entrepreneurs could use market orientation as a mechanism to reduce risk. High levels of ethics would relate to higher levels of trust, shared values, bonding, empathy and eventually reciprocity. The combined effect of entrepreneurial leadership, market orientation and relationship marketing orientation on small enterprise performance is high in order to achieve market share, profit and goodwill (H.J.C. Van Zyl, 2007). A strong relationship between service quality, customer relationship management, employee’s satisfaction, and market share will increase the profitability and performance of the organization. Business performance is directly associated with market orientation and innovation (Sanjeev Agarwal et al., 2003).

Bureaucratic form of organizations is having a negative relationship with innovation. Those companies are less innovative as compare to decentralized form of organizations. Small medium enterprises are more flexible internal management system. These companies are customer focused and innovative mostly do the business through niches. Leadership qualities are more important in SMEs (Richard C. Becherer et al., 2001). In this modern era, human resources are considered the backbone of any organization. Through the most effective selection criteria companies select the most innovate employees whose efforts increase the performance of the business. Learning orientation is most important because through it we determine the opportunities gaps (Felix T. Mavondo et al., 2005). Organizational commitment influence the salesperson attitude and salesperson attitude influence the salesperson customer orientation.

The relationship between employees’ loyalty and organizational commitment is directly proportional. This scenario creates market opportunity for the market oriented business organizations (Eli Jones et al., 2003). The relationship between market orientation and service firm is very strong. Because in this particular area, we deal with intangible assets. We stress on the continuous creation of customer value to retain the customer loyalty and attraction (Rod B. McNaughton et al, 2001).

3. Research Methodology

3.1 Purpose of the Research Study

The purpose of this study is to find out the impact of responsive market orientation, proactive market orientation, innovation orientation, market turbulence, technological turbulence, product quality, product price, supportive culture and after sale services on new product success in Pakistan.

3.2 Instrument and Sampling Unit

For primary data collection, we used structured questionnaire. Our target population consists of employees mainly from two sectors: banking and telecom. The data collected was used and reported in aggregate form; no individual responses will be referred or quoted. For the survey, questionnaires designed consisted of 5 likert scale point, 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree.
3.3 Response Rate:

All questionnaires surveyed from professionals working in the banking and telecom industry of Pakistan. The respondents were requested to reply to all the questions to the best of their knowledge. Out of 150 questionnaires, we got only 125 back thus comprising an overall response rate of 83.33%. After data collection, it was coded and analyzed with software SPSS by using regression and correlation techniques.

3.4 Research Model:

The research model is developed on the basis of previous research studies and variables included are responsive market orientation, proactive market orientation, innovation orientation, market turbulence, technological turbulence, product quality, product price, supportive culture, after sale services, new product success.

![Research Model Diagram]

Equations tested are following:

Equation: \[ y = \alpha + \beta_1 (x_1) + \beta_2 (x_2) + \beta_3 (x_3) + \beta_4 (x_4) + \beta_5 (x_5) + \beta_6 (x_6) + \beta_7 (x_7) + \beta_8 (x_8) + \beta_9 (x_9) + \epsilon \]

NPS = \[ \alpha + \beta_1 (RMO) + \beta_2 (PMO) + \beta_3 (IO) + \beta_4 (MT) + \beta_5 (TT) + \beta_6 (PQ) + \beta_7 (PP) + \beta_8 (SC) + \beta_9 (A2S) + \epsilon \]

Where:

- \( X_1 = RMO \) = Responsive Market Orientation
- \( X_2 = PMO \) = Proactive Market Orientation
- \( X_3 = IO \) = Innovation Orientation
- \( X_4 = MT \) = Market Turbulence
- \( X_5 = TT \) = Technological Turbulence
- \( X_6 = PQ \) = Product Quality
- \( X_7 = PP \) = Product Price
- \( X_8 = SC \) = Supportive Culture
- \( X_9 = A2S \) = After Sale Services

3.5 Variables:

In this study, ten variables are being used. Out of those, nine variables are independent i.e. responsive market orientation, proactive market orientation, innovation orientation, market turbulence, technological turbulence,
product quality, product price, supportive culture, after sales service and one is dependent i.e. new product success in the market.

3.5.1 Responsive Market Orientation

A business in which customer’s expressed needs are fulfilled is called a responsive market oriented business (Narver et al, 2004). Responsive market orientation defines the articulated needs of the customers due to focusing on current customer and their needs, and by doing this company also reduces its risk and market research cost (Kwaku Atuahene-Gima et al, 2005). In this era, business environment is rapidly changing therefore managers must keep in touch with customers and should take actions to satisfy customer’s wants effectively (John T. Bowen, 1997). Responsive market orientation can be defined as a business environment in which customer has the complete knowledge about his/her need and looking for solution from seller and seller offer the exact demanded product(s) and service(s).

3.5.2 Proactive Market Orientation

Proactive market orientation is concerned with satisfying those needs and wants of the customer about which the customer is unaware, through observation of customer’s behavior, and working closely with lead users in order to discover new market opportunities (Narver et al, 2004). “Customer facing a problem but not have any idea to solve the problem” is main theme which is working behind the concept of proactive market orientation. In this critical situation, companies try to discover the solution and make new products to fulfill those. Companies search for opportunities in areas where such kinds of problems are being faced and customers have difficulty to express problem. Due to focusing on latent needs of the customers, proactive market orientation open new horizons of the market opportunities and it has a very close relationship with new product success.

3.5.3 Innovation Orientation

The concept of innovation orientation focuses on four areas. First, a focus on narrow areas of innovation, such as products or processes. Secondly, a broader view of innovation which include identifying, managing and controllable patterns of innovation. Third, the proper recognition of an innovation orientation system as a pervasive set of understandings, which reduce the uncertainty found in the current innovation literature. Fourth, it helps innovation-striving firms to identify and develop organizational conditions and competencies needed to fulfill innovation objectives (Roger Calontone et al, 2003). “Make the product and sell it” this concept has been gradually changed. Now a day, successful companies first focus on customer needs and then fulfill by new product and by adding new functions with new ideas.

3.5.4 Market Turbulence

Market Turbulence is the changes in the composition of customers and their preferences (Kohli and Jaworski, 1990). Generally, there are two types of market turbulence: one is interactional turbulence and other is states of nature. Former addresses the market actors such as manufacturing firms, suppliers and customers depend on each other in order to obtain the guidance, information, status while latter addresses a problem faced by company due to limiting the range of the products which affecting the quality of the products offered, or disturbing the ability to deliver on schedule (Sutcliffe and Zaheer, 1998).

3.5.5 Technological Turbulence

Technological turbulence is the rapid change in the process of manufacturing of the goods and delivery of those outputs to the end users (Kohli and Jaworski, 1990). We can no longer accept technological discontinuity as a natural by-product of any industry. Technological integration should exist except in the rare cases where a technology breakthrough can create true competitive advantage (Ray Hoving, 2007). Technological Turbulence provides a change in the market and big opportunities in the market for new products and inventions. Telecommunication and IT industry opened new horizon of opportunities due to advancement in technology.

3.5.6 Product Quality

Product quality is the assurance of customer requirements, on all relevant dimensions like performance, reliability, and durability (Paul D. Larson, 1994). Manager-perceived product quality and manager-perceived customer view of the firm’s product quality, this concept is tested by providing the TQM (total quality
management) approach. Such type of products are tested firstly though primary products and then launching secondary products (Matthew and Ahire, 1996). Therefore, the simple definition of product quality is that “How much a product meets the needs of the customers”. In improving the product quality, packaging, guarantee, brand name and advertising are also included.

3.5.7 Product Price
In the market, customers are ready to pay a higher price only if they are assure about product reliability. We studied two scenarios for price, the first one is stable market “with stable price and warranty period” and other is dynamic market “with the price and warranty period changing over the product life cycle” and the effect of the manufacturing cost decreases as the volume of production increases (Hong-Zhong Huang et al, 2006). The prices of the frequently purchased products are increased gradually and mostly remain constant and the prices of the luxury goods are normally high. These two parameters are used to determine the product price (Hooman Estelami, 1998). Product price is the main element, which provides the revenue, and market oriented companies normally set their price level after studying their customers and types of product demanded.

3.5.8 Supportive culture
The supportive culture that surrounds the business activity of a country or organization deeply depends on the lifestyle and specifications that distinguish that society (B. Adenso-Díaz et al., 1999). Supporting Culture based on a high level of cultural team spirit in which individuals are loyal to company goals, sincerity and trust in communication, smooth organization in which participants are legitimized by contributions rather than position in the organization. There are four types of culture each of which might have differential impact on the supporting culture, role cultures, achievement cultures, power cultures, sustain cultures (M. Saunders, 1998).

3.5.9 After sales Services
In order to achieve strong relationships with customers, it is necessary to provide them quality products, services and offering complete after sale services (Kaj Storbacka et al, 1994). Various methods are being used to provide after sale services. First, company sell product and only one time call to get the response. Second, frequently calls are made to tell about the other products of the company and asking any services which can be provided for already purchased products. Third, asking the customers to suggest in order to improving the product and / or service. Finally, by opening franchise(s) in different areas.

3.6 Hypotheses
Hypotheses developed are:

\[ H: \text{There is a positive relationship between market orientation and new product success.} \]

\[ H1: \text{Responsive Market Orientation is having a positive impact on new product success.} \]

\[ H2: \text{Proactive Market Orientation is having a positive impact on new product success.} \]

\[ H3: \text{Innovation Orientation is having a positive impact on new product success.} \]

\[ H4: \text{Market Turbulence is having a positive impact on new product success.} \]

\[ H5: \text{Technological Turbulence is having a positive impact on new product success.} \]

\[ H6: \text{Product Quality is having a positive impact on new product success.} \]

\[ H7: \text{Product Price is having a positive impact on new product success.} \]

\[ H8: \text{Supportive Culture is having a positive impact on new product success.} \]

\[ H9: \text{After Sales Services is having a positive impact on new product success.} \]

4. Research Findings
For finding the strength of the relationship between variables, “Pearson Product Moment Correlation Coefficient” is used. Results are showed in table below.

<table>
<thead>
<tr>
<th>NPS</th>
<th>RMO</th>
<th>PMO</th>
<th>IO</th>
<th>MT</th>
<th>TT</th>
<th>PQ</th>
<th>PP</th>
<th>SC</th>
<th>A2S</th>
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<tr>
<td>1.00</td>
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<tr>
<td>Responsive Market Orientation (RMO)</td>
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<td>Proactive Market Orientation (PMO)</td>
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<tr>
<td>Innovation Orientation (IO)</td>
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<tr>
<td>Market Turbulence (MT)</td>
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<td>0.45</td>
<td>0.44</td>
<td>0.52</td>
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<tr>
<td>Technology Turbulence (TT)</td>
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<td>0.34</td>
<td>0.35</td>
<td>0.52</td>
<td>1.00</td>
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<tr>
<td>Product Quality (PQ)</td>
<td>0.35</td>
<td>0.45</td>
<td>0.44</td>
<td>0.48</td>
<td>0.43</td>
<td>0.45</td>
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<tr>
<td>Product Price (PP)</td>
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<td>0.34</td>
<td>0.44</td>
<td>0.43</td>
<td>0.47</td>
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<td>0.49</td>
<td>1.00</td>
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<tr>
<td>Supportive Culture (SC)</td>
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<td>0.33</td>
<td>0.39</td>
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<td>0.32</td>
<td>0.42</td>
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<tr>
<td>After Sale Services (A2S)</td>
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<td>0.34</td>
<td>0.51</td>
<td>0.45</td>
<td>0.58</td>
</tr>
</tbody>
</table>

Table 1. Correlation of variables

Table 1 is showing correlations for all the variables and Table 2 is signifying descriptive statistics, which cover values of means, median and standard deviations. There is a high correlation amongst the independent and dependent variables. Especially between After Sale Services and New Product Success, correlation is (0.43). Mean of the After Sale Services is (4.16), whereas standard deviation is (0.38). This means that the After Sale Services played a vital role in New Product Success. Correlation (0.39) between Market Turbulence and New Product Success is also very high which points out that Market Turbulence is also playing a very critical role in New Product Success in Pakistan. Mean of the Market Turbulence is (4.18), whereas standard deviation is (0.41). Supportive Culture with New Product Success is showing (0.36) correlation, means the Supportive Culture is also very important in New Product Success. The mean and standard deviation is (4.15) and (0.41) respectively.

Correlation between Product Quality and New Product Success is (0.35) with mean (4.21) and standard deviation (0.42). Correlation between Product price and New Product Success is (0.34) with mean (4.13) and standard deviation (0.43). Correlation between Innovation Orientation and New Product Success is (0.34) with mean (4.20) and standard deviation (0.47). Correlation between Technology Turbulence and New Product Success is (0.29) with mean (4.19) and standard deviation (0.36). Correlation between Proactive Market Orientation and New Product Success is (0.29) with mean (4.21) and standard deviation (0.36). Correlation between Responsive Market Orientation and New Product Success is (0.26) with mean (4.26) and standard deviation (0.39).

Coefficient of correlation between Proactive Market Orientation and Responsive Market Orientation is (0.66); the results show that the Proactive Market Orientation increases the New Product Success. Coefficient of correlation between After Sale Services and Supportive Culture is (0.58); the results show that the After Sale Services increases the New Product Success. Coefficient of correlation between Supportive Culture and Product Price is (0.53); the results show that the Supportive Culture increases the New Product Success in Pakistan. Coefficient of correlation between Technology Turbulence and Market Turbulence is (0.52); the results show that the Technology Turbulence increases the New Product Success in Pakistan. Coefficient of correlation between Market Turbulence and Innovation Orientation is (0.52); the results show that the Market Turbulence increases the New Product Success.

Coefficient of correlation between Product Price and Product Quality is (0.49); the results show that the Product Price have an impact on New Product Success. Coefficient of correlation between Innovation Orientation and Proactive Market Orientation is (0.48); the results show that the Innovation Orientation have an impact on New Product Success. Coefficient of correlation between Product Quality and Technology Turbulence is (0.48); the results show that the Innovation Orientation have an impact on New Product Success in Pakistan.
We have computed sample mean, the highest mean of Responsive Market Orientation (4.26) is specifying that it is the main factor, which is affecting the New Product Success in Pakistan. However, Product Price illustrated the lowest mean (4.13), highlighting that it is not a major contributory factor of New Product Success in Pakistan.

For calculating the contribution of independent variable towards dependent variable, we adopted Multiple Regression. Table 3 confers the regression conclusions. This table shows by increasing 1 unit of After Sale Services will increase customer acceptance by (0.36) units. It means this variable is having strong impact on new product success. This result is significant at 1%. If 1 unit of market turbulence is increased, (0.29) units will be increased of New Product Success. It shows this variable is having positive affect new product success with significant at 3%. If 1 unit of Supportive Culture is increased (0.10) units will be of the New Product Success in Pakistan. This result is significant at 45%. Therefore, if After Sale Services and Market Turbulence are increased many new Products will be successful in the business environment of Pakistan.

5. Conclusion:

This Research is frenzy into a broader stream of experimental research on new product success in the market. We analyzed the role of market orientation as an important variable for the successful implementation of the new product in the business environment of Pakistan. Regression results indicate that there is a positive
relationship amongst market orientation and new product success in the market. The outcome is indicating that three variables namely After Sale Services, Market Turbulence, Supportive Culture are having highly positive effect on the new product success. After Sale Services has a positive and important impact, indicating careful After Sale Services system is one of the main indicators of high new product success. Market Turbulence is another Effective factor having a positive and significant impact on the new product success in the market. Organizations stress on Supportive Culture to get high productivity that ultimately contributes new product success in the market. Finally, overall results and study shows that from last two decades, it is necessary for an organization to survive in the market and to get advantages that are more competitive its vision must be do the business through market orientation.

References:


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